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E.O. 12958: DECL: 08/06/2017

TAGS: [IR](#) [KNNP](#) [PARM](#) [PREL](#)

SUBJECT: REQUEST TO EXAMINE BANK MELLAT TRANSACTIONS IN
SEOUL

Classified By: EAP Christopher Hill for reasons 1.4 (b) and (d)

[¶1.](#) (U) This is an action request. Please see paragraph 3.

SUMMARY

[¶2.](#) (S) Top European financial institutions, such as Deutsche Bank, have either scaled down or ceased doing business altogether with Iran due to the inherent risks associated with conducting Iran-related transactions. Iran is adept at utilizing its state-owned banking network, front companies, and government-controlled entities, such as the regime's paramilitary Islamic Revolutionary Guard Corps, to facilitate financial transactions to carry out Iran's destabilizing policy objectives. Washington is concerned that Iran may be seeking to develop means to evade the financial sanctions imposed under U.N. Security Council Resolution 1737 and 1747. It is important for Seoul to understand that South Korean financial institutions should be exercising heightened scrutiny of all Iran-related transactions to ensure that Iran cannot successfully evade sanctions by taking advantage of the private sector.

OBJECTIVES

[¶3.](#) (S/NF) To alert host government officials to information we have about Iranian financial activities that could be occurring in their jurisdictions and urge appropriate authorities to investigate such transactions, especially correspondent relationships, and to take steps to freeze any accounts held or transactions conducted in support of proliferation-related activities. Washington requests Post deliver the talking points and non-paper in para 4 to appropriate host government officials in the foreign affairs and financial ministries.

BACKGROUND/NONPAPER

[¶4.](#) (S/REL ROK) Begin U.S. intelligence community-cleared text of S/REL ROK background/non-paper:

-- In light of our commitment to share as much information with your government as possible on Iran's proliferation-related activities, we would like to raise serious concerns about possible Iranian financial activities in your country, especially insofar as Seoul's branch of Bank Mellat is concerned.

-- As you know, Bank Sepah was listed in Annex I of United Nations Security Council resolution (UNSCR) 1747 as an entity involved in Iran's missile program, and Member States are required, per operative paragraph 12 of UNSCR 1737, to: a)

freeze the assets of Bank Sepah and others designated in the annexes in both resolutions; and b) ensure that any funds, financial assets or economic resources are prevented from being made available by their nationals or by any persons or entities within their territories, to or for the benefit of designated persons and entities. In addition, under paragraph 12 of UNSCR 1737, UN Member States are obligated to freeze the assets of any entity acting on behalf of a designated entity such as Bank Sepah.

-- As you know, UNSCR 1737, unanimously adopted by the UNSC under Chapter VII, requires UN Member States to prohibit financial transactions related to the transfer or use of proliferation-sensitive items and technology prohibited under that resolution.

-- The U.S. has information that other jurisdictions are investigating their local branches of Iranian banks other than Bank Sepah; other jurisdictions have found ties between these bank branches and entities that have been designated by the United States under E.O. 13382--the Executive Order that sanctions proliferators and their supporters--for their involvement in Iranian WMD proliferation-related activities. For example, one international branch of Bank Melli has served as an intermediary for a substantial number of letters of credit (L/C's)--some of which have been U.S. dollar-denominated-- issued by Iran's Bank Sepah following Sepah's designation under E.O. 13382 in January, despite having been directed to cease new transactions with Bank Sepah following the U.S. action. Transactions by Bank Melli on behalf of other entities designated under UNSCR 1747 and E.O. 13382 have also been detected, including Sanam Industrial Group.

-- Many of these transactions appear to constitute efforts to evade the sanctions imposed by the UN Security Council.

-- We encourage you to consider examining transactions undertaken by Iran's Bank Mellat in Seoul to look for similar involvement in processing transactions on behalf of entities involved in proliferation-related activities, especially during the period following the UN Security Council designation of Bank Sepah.

-- The United States urges your government to exercise increased vigilance regarding all Iranian financial and commercial relationships, given the risk that any such relationships may be associated with Iran's nuclear and missile programs, including through provision of support to such programs through other illicit activities, contrary to UNSCRs 1737 or 1747. We urge you to freeze any accounts held or transactions conducted in support of proliferation-related activities or entities associated with them.

-- We look forward to working with you on this and other related security and counter-proliferation matters, and are prepared to provide additional assistance as appropriate.

End background/non-paper for ROK.

REPORTING DEADLINE

15. (U) Please report delivery of the U.S. non-paper and any immediate response by August 13, 2007. Please slug replies for ISN, T, TREASURY, EUR and EAP. Please include SIPDIS in all replies.

POINT OF CONTACT

16. (U) Appreciate Post's assistance. Washington point of contact for follow-up information is Anthony Ruggiero, ISN/CPI, (202) 647-5181, ruggieroaj@state.sgov.gov.
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